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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:	)	Chapter 11
	)	
Brunschwig & Fils, Inc.,	)	Case No. 11-22036 (RDD)
	)	
Debtor.	)	Jointly Administered
	)	

TO THE HONORABLE ROBERT D. DRAIN,
UNITED STATES BANKRUPTCY JUDGE:

LIMITED OBJECTION AND RESERVATION OF RIGHTS WITH RESPECT TO DIP FINANCING

Cohen Brothers Realty Corporation through its affiliates and as representative of D&D Building Companies LLC, successor in interest to Decoration & Design Building Partnership, Pacific Design Center 1, Design Center of the Americas LLC, successor in interest to DCOTA Development Company Limited Partnership, LLC, and Decorative Center of Houston LP (collectively referred to as "CB") by its undersigned counsel, Otterbourg, Steindler, Houston & Rosen, P.C., hereby submits this limited objection and reservation of rights (the "Objection") to the *Debtor's Motion For An Order (I) Authorizing Debtor (A) to Obtain Postpetition Financing Pursuant to §§ 105, 361, 362, 363(c)(2), 364(d)(1), and 363(e) and (B) to Utilize Cash Collateral Pursuant to 11 U.S.C. § 363, (II) Granting Adequate Protection to Prepetition Secured Party Pursuant to 11 U.S.C. §§ 361, 362, 363, and 364, and (III) Scheduling Final*

Hearing Pursuant t Bankruptcy Rules 4001(b) and (c) (the "DIP Financing Motion") [Docket No. 7]. In support of this Objection, CB respectfully represents as follows:

PRELIMINARY STATEMENT

CB understands and agrees that debtor-in-possession financing is necessary in order to ensure that the Debtor has adequate liquidity to operate its business in the ordinary course during the pendency of this Chapter 11 case. Consequently, by the submission of this Objection, CB is not requesting that the Court deny the DIP Financing Motion. Indeed, CB supports the majority of the relief requested in the DIP Financing Motion and takes no issue with many of the terms of the DIP Facility. CB has worked hard to get up to speed and CB has negotiated numerous changes to the proposed Final Order with the Debtor, the DIP Lender and the Prepetition Lender. CB has not seen a draft of the proposed Final Order yet and has been unable to determine whether all of these negotiated provisions will be incorporated in the Final Order in a form acceptable to CB. Thus, CB fully reserves its rights with respect thereto. However, as contemplated in the DIP Financing Motion, the proposed financing provides numerous protections to the Prepetition Lender, Tomas P. Peardon, Jr. ("Peardon"), an insider of the Debtor's estate who allegedly holds 29.9% of the equity of the Debtor. CB believes that all of these protections should be subject to the investigation and challenge rights that are being preserved for a period of time under the proposed Final Order. In addition, other provisions of the proposed Final Order may be objectionable and should have the benefit of Committee (defined below) review. Based on the Committee's findings, CB may find such provisions objectionable and reserves the right to join in any objections raised by the Committee.

BACKGROUND

1. On January 12, 2011 (the "Petition Date"), the Debtor filed a voluntary petition for reorganization under Chapter 11 of the Bankruptcy Code. The Debtor continues to operate its businesses and manage its properties as a debtor in possession pursuant to Bankruptcy Code §§1107(a) and 1108. No trustee or examiner has been appointed in these cases.

2. With its petition, the Debtor filed numerous "first day motions", including the DIP Financing Motion. After a hearing on January 14, 2011 to consider, *inter alia*, the DIP Financing Motion, the Court entered the Interim Order [Docket No. 18], approving the DIP Financing Motion on an interim basis.

3. As of the filing of this Objection, no Official Committee of Unsecured Creditors (the "Committee") has been appointed in the case. However, the United States Trustee for the Southern District of New York is in the process of soliciting creditors with respect to the formation of a Committee. The responsive questionnaires are not due until January 26, 2011.

4. CB is the landlord of four (4) of the Debtor's design centers. Specifically, CB is landlord at the Debtor's, New York, New York, West Hollywood, California, Dania Beach, Florida and Houston, Texas premises.

OBJECTIONS/RESERVATIONS

5. CB respectfully submits that there are several terms which were initially to be included in the proposed Final Order that would be inappropriate and should be eliminated, modified, or, at least, subject to the investigation and challenge rights. The objectionable provisions are with respect to the protections to be afforded to the Prepetition Lender, Peardon:

(a) The Final Order should not waive surcharge rights under Bankruptcy Code Section 506(c) with respect to the Prepetition Lender's collateral when it is clear that the chapter 11 process is being run in large part to benefit Peardon, the Prepetition Lender;

(b) The Final Order should not restrict the ability to investigate causes of action and proceedings against the Prepetition Lender. The initial draft Interim Order would have limited the time frame to conduct such an investigation to 60 days and limited the funding for such purposes-

(i) The proposed 60 day time limitation to commence a challenge should be limited to issues of perfection and any other issues, including those relating to the nature of the claim, insider transactions, valuation, subordination, and recharacterization, etc. should not expire until the confirmation of a plan of reorganization. Furthermore, any purported release of an insider should only be made pursuant to a confirmed plan of reorganization;

(ii) The Committee should have automatic standing to commence any such action;

(iii) The sufficiency of the investigation funding and budget should be subject to the Committee's input.

(c) The proposed Final Order should not exempt the Prepetition Lender from the equitable doctrine of "marshalling" of assets or other similar doctrines;

(d) The proposed Final Order should not prohibit the assertion of "equities of the case" arguments under the provisions of §552(b) of the Bankruptcy Code with respect to the Prepetition Lender; and

(e) The proposed Final Order should not include a finding of "good faith" pursuant to Bankruptcy Code §364(e) with respect to the Prepetition Lender prior to the conclusion of any investigation and challenge period.

6. Accordingly, CB respectfully requests that the Court make such modifications to the proposed form of Final Order as are necessary to address the objections set forth herein and reserve CB's rights to raise further objections until after the Committee has had an opportunity to be heard on the DIP Financing Motion.

WHEREFORE, for all of the above-stated reasons, the CB respectfully requests that the Court (i) make such modifications to the proposed form of Final Order as are necessary to address the objections set forth herein and (ii) grant the CB such other and further relief as is just and proper.

Dated: January 24, 2011
New York, New York

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By: ______________________
Jenette A. Barrow-Bosshart (JB-5117)
Member of the Firm

CERTIFICATE OF SERVICE

I, Jenette A. Barrow-Bosshart, certify that I am not less than 18 years of age, and that service of the foregoing **Limited Objection and Reservation of Rights** was caused to be served on January 24, 2011 to the parties identified below as indicated:

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Date: January 24, 2011

Jenette A. Barrow-Bosshart [JB-5117]